

October 10, 2001

The Honorable Pat Wood, III, Chairman
The Honorable William Massey, Commissioner
The Honorable Linda Breathitt, Commissioner
The Honorable Nora Brownell, Commissioner
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Dear Commissioners:

We are writing to express our strong reservations regarding the Federal Energy Regulatory Commission's (FERC) movement toward mandating four (West, Midwest, Northeast, Southeast) regional transmission organizations (RTOs).

While we acknowledge that RTOs could, in theory, lead to a more efficient and well-functioning wholesale electricity market, we are concerned that FERC is promoting RTOs in the belief that they are inherently beneficial, with little regard for whether the operational details associated with the various RTOs will actually lead to lower costs or increased efficiency and reliability when applied in the real world.

We don't believe RTOs are inherently good or bad. Whether the benefits of an RTO outweigh the costs depends on the details of a given proposal and the attributes of a given market. We are concerned that full consideration of those issues will be sacrificed under an artificial FERC deadline and a national perspective that disregards the specific features of the Pacific Northwest grid.

As Members of Congress from the Northwest, we are particularly interested in, and have been following closely, the development of RTO West. We commend the inclusive stakeholder process that has brought together the RTO West filing utilities, urban and rural public utilities, industrial customers, Indian tribes, and other interested consumers to debate the details of RTO West.

There is still a vigorous debate among the stakeholders in our region on issues such as pricing, congestion management, and how much authority RTO West should have to mandate construction, demand-side management or other measures to deal with reliability and congestion problems. While we each have our own opinions about what the result of this debate should be, we are united in the belief that it would be extremely unfortunate if the consensus-building process in our region was preempted by FERC action that would mandate a West-wide RTO or require that RTO West and WestConnect (formerly Desert Star) merge into a single organization. We would also oppose the FERC setting standardized national rules for RTOs on issues like pricing and congestion management. The Northwest needs the flexibility to do what is best for our region given the unique characteristics of our grid. We still expect the ongoing negotiations to resolve seams issues and similar operational concerns between the three RTOs under consideration in the Western United States will meet the requirements for an efficient wholesale market to function.

Finally, we would respectfully request that the FERC mandate independent, cost-benefit analyses for each RTO. It is important for stakeholders and consumers to see a bottom line evaluation of the cost and benefits to end-use consumers in each affected state. This is especially true for ratepayers in the Northwest who are being subjected to rate increases of 20-40 percent or more and are dubious of any overhaul of how electricity is delivered if it could mean even further price hikes.

Vigorous, independent cost-benefit studies must be done for all RTOs if they are to have any credibility. While the theoretical benefits of an RTO (like increased reliability and efficiency) may ultimately exist, those benefits may be outweighed by increased costs to consumers for generation or transmission service. This is particularly important for our region, which, due to the presence of the Bonneville Power Administration, has generally had a reliable, open-access transmission system even in the absence of an RTO. We are pleased that RTO West has commissioned an independent cost-benefit analysis, but it is still unclear whether the scope of the report will be satisfactory.

Thank you, in advance, for your careful consideration of our concerns. We would appreciate an opportunity to meet with you to discuss these issues further and look forward to working with you to ensure a well-functioning wholesale market that doesn't adversely impact consumers.

Sincerely,

PETER DeFAZIO
Member of Congress

PATTY MURRAY
United States Senator

NORM DICKS
Member of Congress

MAX BAUCUS
United States Senator

JIM McDERMOTT
Member of Congress

LARRY CRAIG
United States Senator

JENNIFER DUNN
Member of Congress

RON WYDEN
United States Senator

GEORGE NETHERCUTT
Member of Congress

MIKE CRAPO
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DOC HASTINGS
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MARIA CANTWELL
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ADAM SMITH
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GREG WALDEN
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MICHAEL SIMPSON
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C.L. "BUTCH" OTTER
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RICK LARSEN
Member of Congress

CONRAD BURNS
United States Senator

DAVID WU
Member of Congress

Letter to FERC regarding RTOs
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